

The Deficit Reduction Act of 2005

November 17, 2005

General Provisions

- This bill provides \$49.986 billion of savings over 5 years in the government's automatic-pilot mandatory spending programs. ("Mandatory spending" refers to programs that are not subject to the annual appropriations process.)
- These savings – pursuant to the FY 2006 budget (H.Con.Res. 95), and adjusted following Hurricanes Katrina and Rita – have three principal goals:
 - To provide a down-payment toward hurricane recovery and reconstruction costs. Congress already has provided \$62.5 billion in recovery funding; additional funding requests are expected in the future.
 - To begin a longer-term effort at slowing the growth of entitlement spending, which now consumes about 54% of the total budget, and will rise to 62% by 2015 if left on its current path.
 - To stimulate reform of entitlement programs, many of which are outdated, inefficient, and excessively costly.
- Eight House authorizing committees have contributed to the savings effort, by modifying the authorizing laws for programs in their respective jurisdictions. Those committees, and their savings amounts (as adjusted by the manager's amendment), are as follows:

Deficit Reduction Act Savings by Committee (outlays in millions of dollars)	
Committee	Savings 2006-10
Agriculture	- 3,601
Education and the Workforce	- 20,422
Energy and Commerce	- 16,576
Financial Services	- 470
Judiciary	- 428
Resources	- 286
Transportation and Infrastructure	- 156
Ways and Means	- 8,047
Total Savings	- 49,986
Source: Congressional Budget Office. Savings are expressed in negative numbers to reflect their effect on the deficit.	

Committee on Agriculture

- Provisions include savings from food stamps (22%) and commodity programs (28%), and \$50 million in new Katrina/Rita spending, for food stamps. Among the key items:
 - *Food Stamps*. Savings of \$59 million in 2006, and \$796 million over 2006-10, by reforming food stamp benefits – including terminating categorical eligibility for recipients of non-cash Temporary Aid for Needy Families (TANF) assistance, and tightening eligibility for immigrants, with exceptions for certain persons with citizenship applications pending or who are over age 60. Preserves categorical eligibility for child nutrition programs for persons who receive non-cash TANF services.
 - *Agriculture Commodity Programs*. Savings of \$533 million in 2006, and \$1.006 billion over 2006-10. Reduces payments by 1% for recipients of direct payments for 2006 through 2009, and reduces the amount of direct payments that can be taken as advances. Also terminates the "Step 2" cotton program in response to a WTO ruling that the program distorts markets.
- Conservation Programs. Savings of \$0 in 2006, \$760 million over 2006-10. Provisions terminate and rescind unobligated balances in two conservation programs, and limit program funding for another.
- Special provisions for hurricane victims are:
 - *Emergency Food Assistance Program*. Costs of \$12 million in 2006 and over 2006-10, for the Emergency Food Assistance Program (TEFAP) to replenish food banks depleted as a result of hurricane relief.
 - *Waive Administrative Match for Food Stamps*. Costs of \$38 million in 2006 and over 2006-10, by waiving the 50% match for state administrative costs in the Food Stamp Program for hurricane affected states during a specified period.

Committee on Education and the Workforce

- Total net savings are \$20.422 billion over five years – \$14.470 billion (70%) from student loan reforms, including \$4.244 billion in student loan increases; and \$6.162 billion (30%) from pension reforms. Key savings policies are:
 - *Student Loan Reform*. Net savings of \$7.525 billion in 2006, and \$14.470 billion in 2006-10, from both the savings and increases in the Higher Education Act (H.R. 609), which passed the House earlier this year, and new provisions to increase savings. Included in the latter is a conversion of mandatory student loan administrative costs to discretionary spending; adding fees on lenders; dropping, from 23% to 20%, the percentage of total recoveries from delinquent loans retained by collection agencies; and adding fees on consolidation loans.
 - *Pension Reform*. Savings of \$363 million in 2006, \$6.162 billion in 2006-10. Raises the fixed rate premium to \$30 per participant (from the current \$19); grants

the Pension Benefit Guaranty Corporation authority to increase premiums annually by as much as 20%; and imposes a new \$1,250 per participant premium on terminated plans when sponsors emerge from bankruptcy.

- For hurricane victims, the package waives – for institutions and students affected by the recent Gulf hurricanes – on the requirement that unused funds be returned. Provisions also grant a 6-month deferment for any student loan borrower who was living in or working in an area affected by Hurricanes Katrina and Rita.

Committee on Energy and Commerce

- Principal savings from spectrum sales and Medicaid. Also included is a hurricane-related increase of \$2.5 billion for Medicaid, and a related \$1-billion increase for Low-Income Home Energy Assistance Program (LIHEAP).
 - *Spectrum*. Savings of \$0 in 2006, \$8.742 billion in 2006-10, consisting of \$10 billion in gross spectrum auction receipts and a \$1.533 billion budget authority increase including: \$1 billion in converter boxes; \$500 million in interoperability grants; and \$33 million for two minor digital transition projects.
 - *Medicaid*. Savings of \$420 million in 2006, \$11.387 billion in 2006-10. Submission reforms Medicaid reimbursement for prescription drugs; reforms Medicaid rules dealing with asset transfers as a qualification of eligibility for Medicaid long-term care; modifies requirements for cost-sharing in Medicaid; and increases benefit flexibility. Long-term care partnerships are extended to any state; and Health Opportunity Accounts are made available as an option to states.
- Hurricane-related and other provisions provide \$2.515 billion in outlays in 2006 and \$2.553 over 5 years. The Federal Medical Assistance Program match is increased to 100%, until May 15, 2006, for providing Medicaid or SCHIP items and services to any individual residing in a major Katrina disaster parish or county or a Katrina survivor.

Committee on Resources

- Key savings items:
 - *Mining Provisions*. Savings of \$1 million in 2006, and \$158 million over five years. Modernizes federal mineral policies to promote economic development, encourage investment, and create jobs.
 - *Disposal of Certain Public Lands in the District of Columbia, Nevada, and Idaho*. Savings of \$5 million in 2006 and \$128 million in 2006-10, from selling surface rights for land to companies that have held mining rights for years.

- Also included is an oil shale initiative designed to develop the 1.5 trillion to 1.8 trillion barrels of oil contained in shale and tar sands in Colorado, Utah, and Wyoming.

Committee on Ways and Means

- Provisions achieve net savings of \$100 million in 2006 and \$8 billion over five years. Also included are \$1.4 billion in costs associated with reauthorizing the TANF and mandatory child care block grants for five years. Key provisions include:
 - *TANF*. Cost of \$237 million in 2006, \$926 million in 2006-10. Reauthorizes TANF for 5 years and adds funding for contingency loans to states facing economic hardships; supplemental grants; research and demonstration projects; and healthy marriage promotion.
 - *Child Care*. Cost of \$0 in 2006, \$434 million in 2006-10. Authorizes an additional \$500 million in budget authority for mandatory child care assistance to states during the period 2007-10.
 - *Child Support Enforcement*. Savings of \$4.899 billion in 2006-10. Makes changes to Child Support Enforcement, some of which cost money by increasing the amount of collections which are passed through to the custodial parents. Two changes result in substantial savings. Those are eliminating the federal match when states spend CSE incentive payments, saving \$1.6 billion; and phasing in a reduction in the federal matching rate for administrative expenses from 66% to 50%, which saves \$3.8 billion.
 - *Child Welfare*. Savings of \$80 million in 2006, \$577 million in 2006-10. Savings result from two policies: repeal of the Rosales Decision, which restores within the Ninth Judicial Circuit the requirement that federal foster care maintenance funding be based on the income of the home from which a child is removed; and limiting the federal match on state administrative costs for "candidate" foster care children to 12 months.
 - *Supplemental Security Income*. Savings of \$261 million in 2006, \$732 million in 2006-10. Savings result from two policies: one requires the Commissioner of the Social Security Administration to conduct pre-effectuation reviews on cases of persons turning age 18 who are seeking to continue benefits based on disability or blindness. The second lowers the threshold at which SSI payments are provided in lump sums.
 - *Repeal of Continued Dumping and Subsidy Offset*. Savings of \$0 in 2006, \$3.2 billion in 2006-10. Eliminates a requirement that duties collected under antidumping and countervailing duty orders must be distributed to eligible domestic producers that supported the petition that resulted in the imposition of the duties. This brings the U.S. into compliance with the World Trade Organization's ruling that the payments to domestic producers are illegal subsidies.

Committee on Financial Services

- Achieves \$30 million in savings in 2006, and \$470 million in net savings over 5 years. Raises to \$130,000 per account the limit for deposits to qualify for federal deposit insurance, costing \$400 million; increases collections of deposit insurance premium payments, saving a net of \$600 million; and subjecting to appropriations the FHA's authority to renovate and sell certain foreclosed properties from the General and Special Risk program subject to annual appropriations, saving \$270 million.

Committee on the Judiciary

- Saves \$76 million net in 2006 and \$428 million net over 5 years. The submission increases L-1 non-immigrant visa fees. Creates additional federal judgeships, costing \$4 million in 2006 and \$72 million over 2006-10.

Committee on Transportation and Infrastructure

- Increases vessel tonnage fees to collect \$156 million over 5 years.